# ProfitTalk

Simple perspective on disciplined grain marketing for producers



Stickney Coop Elevator

P.O. Box 8, Stickney, SD 57369 ♦ (605) 732-4261 ♦ FAX (605) 732-4525



SEPTEMBER/OCTOBER 2023


# EVALUATING THE COST OF WAITING

Growing a crop is expensive.

A diligent producer is constantly evaluating return on investment (ROI) when considering adding to or cutting any variable costs. Unfortunately, even with meticulous evaluation, you must make most decisions without knowing the true ROI. Will buying a new tractor save enough on maintenance and repairs while improving efficiency enough to outweigh the cost? Will choosing more expensive seed or applying fungicide improve yield or quality enough to pay for the product and application? Since these decisions must be made before final yield and quality are known, some projection is required to make a meaningful evaluation of cost versus expected return.

The same type of evaluation should extend to the marketing of grain and is never more important than deciding whether to delay marketing past harvest. As previously stated, any harvested crop undoubtedly has significant capital invested in it. That capital cannot be recovered until the grain can be brought to market and harvest time is the earliest that can occur.

***Delaying grain marketing beyond harvest adds to your already significant cost.***

Delaying pricing at a commercial elevator may invoke:
- Increased interest costs
- Contract fees
- Price later or storage fees

Storing grain on your farm adds:
- Increased interest costs
- Handling costs
- Facility maintenance and operating costs
- Shrink
- Condition risk

***Don’t sleep on interest costs!***

For many years, added interest costs seemed like an afterthought as interest was cheap and seemed relatively easy to recoup.  Be sure you are evaluating the true value of money in today’s environment as interest rates are around 2.5 times higher than just 3-4 years ago.  Couple that with high input costs in 2023 and a cost that was previously an afterthought can have a significant effect on your bottom line.

Most importantly:
***Despite all these added costs and risks, you still have no guarantee of receiving a higher price by waiting!***

In fact, with the exception of a Minimum Price contract, the possibility of higher prices after harvest is countered by the added risk of lower prices making a true ROI analysis impossible!

***When costs and risks are objectively weighed against the possible reward, taking money at harvest is often in your best interest.***

Even when looked at objectively, selling grain at harvest can feel like being forced to sell and becoming a price taker.  To avoid this in future years, make a diligent effort to market grain before the combine ever hits the field.  Nearly every year spring and summer rallies present opportunities to sell grain for harvest delivery at a profit.  Be ready to take advantage of those opportunities in the future by calculating your break-even price and having target orders in place to sell above that number well ahead of harvest.

***Evaluate marketing costs like any other expense in your operation.***

Don’t add an expense without an expected return.  Commit to proactively marketing grain before harvest and turning grain into cash as soon as possible positioning yourself to maximize profitability.